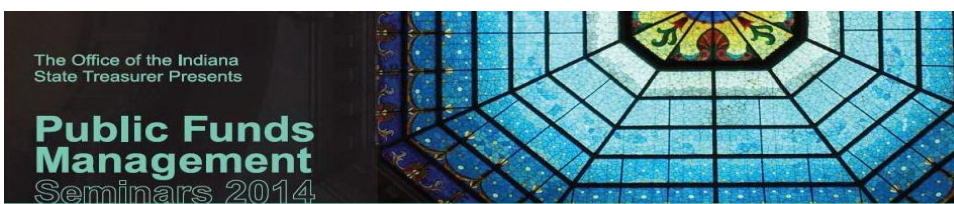




Presented by
The Office of the Indiana Treasurer of State

August 12, 2014
West Lafayette, Indiana



Opening Remarks: Welcome & Introduction

Richard Mourdock, Indiana State Treasurer

Part I: The Treasurer of State's Office and Investments

Jim Holden, Chief Deputy Treasurer and General Counsel

Kim Logan, Deputy Treasurer

Part II: Alternative Investment Option – TrustIndiana

Richard Mourdock, Indiana State Treasurer

Erin Holliday, Cutwater Asset Management

Part III: Keeping Local Funds Safe – Board for Depositories

Pat Hastings, Executive Director, Indiana Board for Depositories

Economic Overview & Closing Remarks

Richard Mourdock, Indiana State Treasurer

Treasurer of State's Office And Investments



Part I: The Treasurer of State's Office and Investments

Presented by :

Richard Mourdock
Indiana State Treasurer

3

Indiana State Treasurer



IN State Treasurer's actual duties:

By Indiana Constitution...serve as the State's Chief Investment Officer

Additional duties assigned by legislature:

- Chairman, Indiana Bond Bank
- Chairman, Indiana Education Savings Authority
- Secretary, Investment-Manager Board for Depositories
- Chairman, 911 Board
- Member, State Board of Finance
- Sole Trustee, Indiana State Police Pension Fund
- Chairman, TrustIndiana Advisory Board
- Member, Deferred Compensation Committee
- Member, Indiana Finance Authority
- Member, Indiana Heritage Trust
- Member, Indiana Cultural Arts Board
- Member, Indiana Grain Indemnity Board
- Member, Indiana Community Housing Development Authority
- Member, Indiana Community Business Credit Corporation

4

Legal Aspects of Public Investing



Goals for investment of public funds:

- Safety, liquidity & yield
- Diversification of Investments
- Legally eligible investments that comply with Indiana Code IC 5-13 et. Seq.

5

Authorized Bank Products



- DDA Checking Accounts
- Negotiable order of withdrawal (NOW) accounts
- Passbook savings accounts
- Certificates of Deposit (CDs)
- Money market accounts
- Any interest-bearing account that is authorized and offered by a financial institution in the course of its respective business

6

PDIF Insured Accounts



- Make sure your deposit accounts are PDIF insured
- Are they public funds? IC 5-13-4-20
- Fees & funds in the possession of a “public officer” by the virtue of that office
- Is the financial institution an approved depository?
www.in.gov/tos/deposit/files/approveddepositories.pdf
- PDIF covers losses above FDIC limits

7

Maximizing FDIC Insurance



- FDIC coverage of \$250,000 per depositor
- Certificate of Deposit Registry Service (CDARS)
- Allows a depositor to receive more than \$250,000 in FDIC Coverage
- Allowed by IC 5-13-9-5.3
- Funds placed in CDARS depository are then exchanged with other participating depositories in lots of \$250,000 to maximize FDIC coverage

8

Transaction Accounts IC 5-13-9-4 (b)



- Special Rules for Political Subdivisions
- Must establish transaction accounts in depositories with branches within political boundaries
- Exception for political subdivisions that cross county lines or those without a depository within its boundaries (or only one), or if no depository will offer a transaction account
- Doesn't apply to county hospitals

9

Certificates of Deposit Required Procedures IC 5-13-9-4 (a)



- Every investing officer must obtain 3 quotes on the specific rate of interest for the term of the certificate of deposit
 - The quote may be taken by phone
 - The quote must be recorded in a memorandum and retained as a public record
 - If the deposit is not placed in the institution quoting the highest rate, the fiscal officer must note the reason why
- Can invest in CDs from any depository on state's approved list if county commissioners or political subdivision's fiscal body passes resolution authorizing it (renewed every 2 years)
- See IC 5-13-9-5 (A)

10

Money Market Mutual Funds

IC 5-13-9-2.5



Money market mutual fund requirements:

- Must be rated AAA, or its equivalent, by Standard & Poor's or Aaa, or its equivalent by Moody's
- Purchases, sells, or holds direct obligations of the United States Treasury or other obligations issues by a federal agency, a federal instrumentality or a federal government sponsored enterprise
- Must be purchased through an institution on the state's approved depository list
- Must have a final stated maturity of one day

11

Investment in Eligible Securities

IC 5-13-9-2



Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by any of the following:

- The United States Treasury (Notes, t-bills, and bonds)
- Federal agency (Government National Mortgage Agency)
- Federal Instrumentality
- Federal government sponsored enterprise (Federal Home Loan Bank)
- Discount notes issued by a federal agency, a federal instrumentality, or a government sponsored enterprise
- Certain municipal securities (see IC 5-13-9-2 (a)(3))

12

Securities – Critical Criteria



- Use of a broker-dealer that is SEC licensed
- Use of a custodial bank that is on the state's approved depository list or has combined capital and surplus of at least \$10 million
- Securities may have a maximum maturity of 2 years unless authorized (up to 5 years) by a properly adopted investment policy under 5-13-9-5.7
- Securities lending
- Securities may be lent for extra income as long as its collateralized by cash or securities issued, insured, or guaranteed by the federal government or a federal agency

13

Repurchase Agreements IC 5-13-9-3



- An agreement involving the purchase and guaranteed resale of securities
- Can be a one time commitment or an ongoing commitment
- Must have a final stated maturity of one day (overnight)
- Must be fully collateralized
- Must be made through a depository on the state's approved depository list

14

Local Boards of Finance Members



- County – Board of Commissioners & County Treasurer
- Marion County – County Treasurer, County Auditor, County Assessor, City Controller, Mayor, President of the School Board
- City – Executive and fiscal body
- Town – Fiscal Body
- Other – Fiscal body of each political subdivision
- Note: cities, towns, and county hospitals exempt from meeting requirements (IC 5-13-4-19)

15

Local Boards of Finance Responsibilities IC 5-13-7-6



Each local board of finance **SHALL** meet annually after the first Monday and on or before the last day of January and do the following:

- From the board's membership, elect a president & secretary
- Receive and review the report required by IC 5-13-7-7
- Review the overall investment policy
- The report must contain a summary of all investments made during the previous calendar year
- **Consult your county attorney or counsel regarding this requirement**

16

Political Subdivision Investment Policy IC 5-13-9-5.7



The fiscal body of a subdivision may adopt an investment policy authorizing the investment of public funds of the political subdivision for more than 2 years and not more than 5 years. **The policy must:**

- Be in writing
- Be adopted at a public meeting
- Provide for investment of public funds with the approval of the investment officer
- Provide that the investments must be made in accordance with this article
- Limit the total investments outstanding under this section to not more than 25% of the total portfolio of public funds invested by the political subdivision including balances in transaction accounts AND
- State a date on which the policy expires, which may not exceed 4 years

17

Banking Services: Remote Capture



Remote Capture/Image Transmission is the process of scanning and transmitting electronic images of paper checks to financial institutions

- A report is created by batch with amounts, payee names, serial numbers, and etc. exhibited
- Paper checks can be retained and then destroyed after 15 days
- Funds are directly deposited to your operating account
- Daily deposit deadline extended
- Quicker access to funds for investment purposes
- Earlier notification of returned items
- Online access to check images and deposits

18

Banking Services: Positive Pay



Positive Pay for issued checks customer sends file to a financial institution. When a check is presented to the bank a comparison is done on payee name, amount, and check number. If a discrepancy is found between the information provided to the bank and the paper checks being cashed, the customer can deny the payment of the check.

- Reduces fraud
- Financial institutions can return the images of questionable checks quicker to bank of first deposit. This will reduce a customers collection items.

19

Banking Services: Charge Card Processing



Charge Card Payments can be accepted by county organizations, schools, or town by joining the State of Indiana's charge card contract with Value Payments System, Inc.

Contact:

Gina Kerr
Financial Portfolio Contract Manager
Indiana Department of Administration
Indiana Government Center South
402 W. Washington St., RM W468
Phone: 317-234-4998
Email: gkerr@idoa.in.gov

20

Banking Services & Treasury Management



- Questions on banking services: deposit accounts, lockbox, remote capture, positive pay, ACH and wire transfers, Charge Cards processing, E-Check payments, direct deposit.
- Suggestions on improving the processing of revenue or payments. Way to decrease bank fees. Possibly earn interest on checking accounts to help offset fees.
- General operation questions both for accounts receivable and accounts payable.
- **Contact** Kim Logan at 317-233-0921 or email Klogan@tos.in.gov

21

Questions / Comments



Jim Holden
Chief Deputy Treasurer
& General Counsel
 Indiana Treasurer of State's Office
 200 W. Washington St., 242
 Indianapolis, IN 46204
 317-232-6388
jholden@tos.in.gov
www.in.gov/tos/

Kim Logan
Deputy Treasurer
 Indiana Treasurer of State's Office
 302 W. Washington St., IGC-S E016
 Indianapolis, IN 46204
 317-233-0921
Klogan@tos.in.gov
www.in.gov/tos/

Treasury management , Banking products and services, or general operational questions.

22

TrustIndiana: Alternative Investment Option for Local Government



*Part II: TrustIndiana
An Alternative Investment Option for Local Government*

Presented by:

Richard Mourdock, Indiana State Treasurer

23

TrustIndiana: Alternative Investment Option for Local Government



Summary

1. Program Highlights
2. LGIP Overview
3. Portfolio Update
4. Market Outlook

24

TrustIndiana: Alternative Investment Option for Local Government



Program Highlights

General Information

- Authorized by the Indiana General Assembly's passage of Indiana Code 5-13-9-11 during its 2007 session
- TrustIndiana opened in February 2008 after an extensive due diligence and development process
- TrustIndiana is open to all local units of government including the State of Indiana
- Participants share a common pool of investments which stresses:
 - Safety – preservation of principal
 - Liquidity – same day access to funds
 - Yield – maximizes returns using economies of scale

25

TrustIndiana: Alternative Investment Option for Local Government



Program Highlights

Safety

With TrustIndiana, the SAFETY of public funds is paramount

- Invests strictly in securities allowable by Indiana law
- Assets held by a third-party custodian (Bank of New York)
- Fund portfolio managed by professional team with over 20 years of experience
- Annual audit performed by an independent auditing firm
- At least 50% of portfolio funds held in A1/P1 Indiana banks

26

TrustINDiana: Alternative Investment Option for Local Government



Program Highlights

Liquidity

TrustINDiana offers daily LIQUIDITY to all Participants

- Actively managed to ensure that cash is readily available
- Dollars invested today are available tomorrow with interest
- No withdrawal penalties
- No transaction or wire fees
- Maximum weighted average maturity (WAM) of 60 days or less

27

TrustINDiana: Alternative Investment Option for Local Government



Program Highlights

Yield

Program optimizes YIELD while maintaining safety

- TrustINDiana has maintained a competitive yield despite recent economic turbulence
- Serves as a diversification tool and offers larger scale investment options to smaller entities
- Portfolio managers have extensive fixed income/public sector expertise
- Returns are calculated and paid daily

28

TrustINDiana: Alternative Investment Option for Local Government



Program Highlights

Convenience

TrustINDiana was designed with CONVENIENCE in mind

- Client Connection feature allows for fast, safe and secure online transaction processing and reporting access
- Funds transferrable via wire or ACH
- Experienced and professional client service team
- Monthly reporting, newsletters, economic updates and yield information all available online or via email

29

TrustINDiana - Alternative Investment Option for Local Government



How to Open Your TrustINDiana Account:

- No Resolution or Ordinance required
- See Registration Forms in packet provided, and complete:
 - Account Setup, Key Contact/Authorized Signers, Bank Authorization, Subaccounts
- Finalize with authorized signature and fax paperwork to Client Services
- Account can be ready for use as soon as the next business day

30

Questions / Comments



Office of the Treasurer of Indiana
200 W Washington St., 242
Indianapolis, IN 46204
888-860-6242
www.trustindiana.in.gov

31

Indiana Board for Depositories Keeping Local Funds Safe



Part III: Indiana Board for Depositories – Keeping Local Funds Safe

Presented by :

Pat Hastings
Executive Director
Indiana Board for Depositories

32

What is the BFD?



- Quasi-governmental Agency
- Created in 1937 by IC 5-13-12 in response to bank failures during the Great Depression
- Keeps a list of approved depositories
- Manages the operation of the PDIF
- Manages collateral to protect public funds
- The Treasurer is the Secretary/Investment Manager
- Governor, or his designee, is the Chairman

33

What is the PDIF?



Insurance Fund:

- Covers the full amount of public funds over and above the amount covered by the FDIC
- Deposit accounts
- Unique to Indiana and a benefit to public entities
- 0.2% - 0.4% higher interest rate on public deposits
- \$300 million in assets
- Funded by fees on banks that could be deducted from the interest paid to public funds depositors

34

What are “public funds”?



Public Funds defined by IC 5-13-4-20:

IC 5-13-4-20 "Public funds"

Sec. 20. "Public Funds" means all fees and funds of whatever kind or Character coming into possession of any public officer by virtue of that office. The term does not include:

- Support payments made to the clerk of a circuit court under IC-31-16-9 (or IC 31-1-11.5-13 before its repeal);

OR

- Proceeds of bonds payable exclusively by private entity

35

What is a “public officer”?



Public Officer defined by IC 5-13-4-21

IC 5-13-4-21 "Public officer"

Sec. 21. "Public officer" means any person elected or appointed to any office of the state or any political subdivision. "Public officer" includes an officer of all boards, commissions, departments, institutions, and other bodies established by law to function as a part of the government of the state or political subdivision that are supported wholly or partly by appropriations of money made from the treasury of the state or political subdivision or that are supported wholly or partly by taxes or fees. "Public officer" does not include an officer of an independent body politic and corporate set up as an instrumentality of the state but not constituting a political subdivision.

36

What is a “public officer”?



- Any person elected or appointed to any political subdivision
- An officer of all:
 - Boards
 - Commissions
 - Departments
 - Institutions
 - Other bodies that function as a part of political subdivision
 - Supported wholly or partly by:
 - Appropriations from the treasury of the political subdivision
 - Taxes and fees

37

Who can become an approved depository?



- A bank headquartered in Indiana or a national bank with a branch in Indiana
- A federal chartered savings association with a headquarters in Indiana or a branch in Indiana
- A federal chartered savings bank with a headquarters in Indiana or a branch in Indiana
- A state chartered credit union in Indiana that has assets of \$3 million dollars or more with a headquarter in Indiana or a branch in Indiana

38

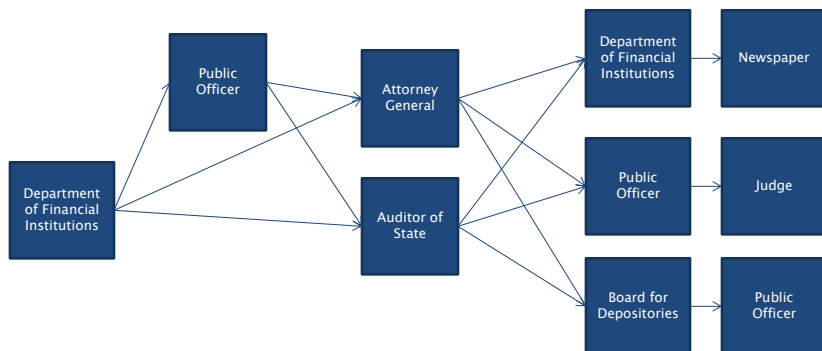
Collateral Requirements



Collateralization Matrix			
Based on Thomson Reuters Bank Insight Ratings (formerly Highline Financial)			
Bank Insight National Rating	Collateral Rate	Collateral Basis	Pledge or Pledge and Deliver
40 - 99	0%		
20 - 39	50%	Average Daily Balance for the previous quarter	Pledge
0 - 19	100%	Actual Balance	Deliver

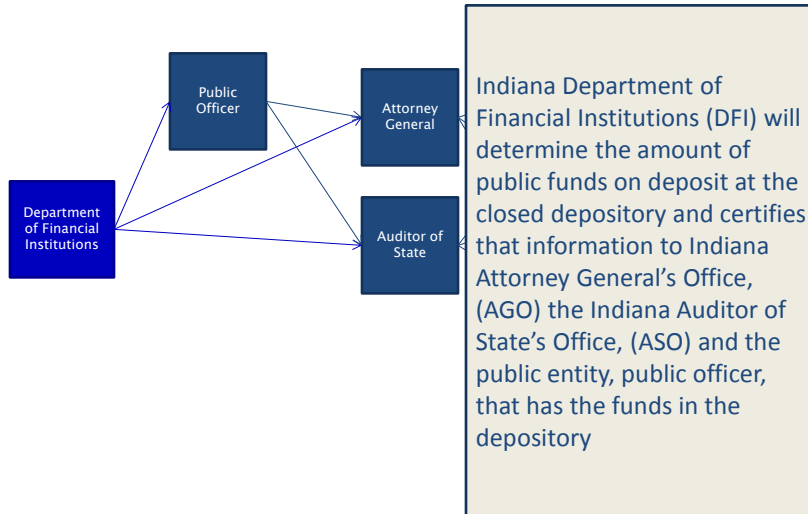
39

Recovery process for public funds in a closed depository



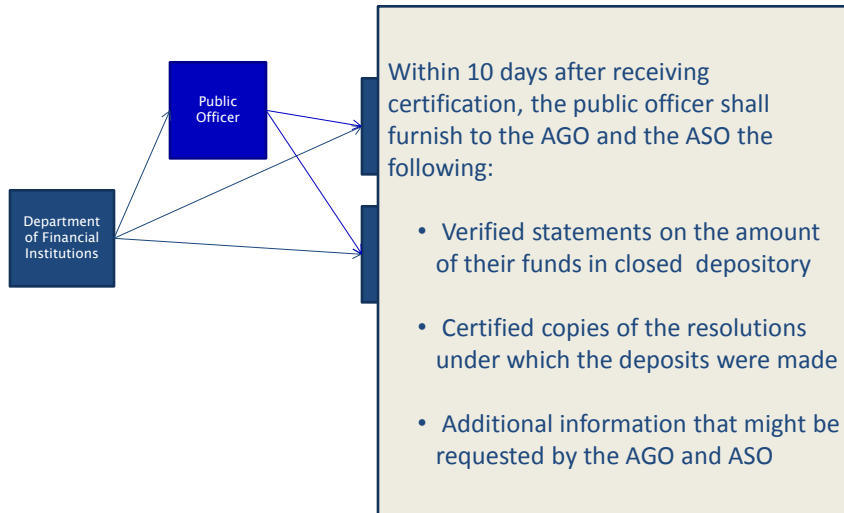
40

Recovery process for public funds in a closed depository



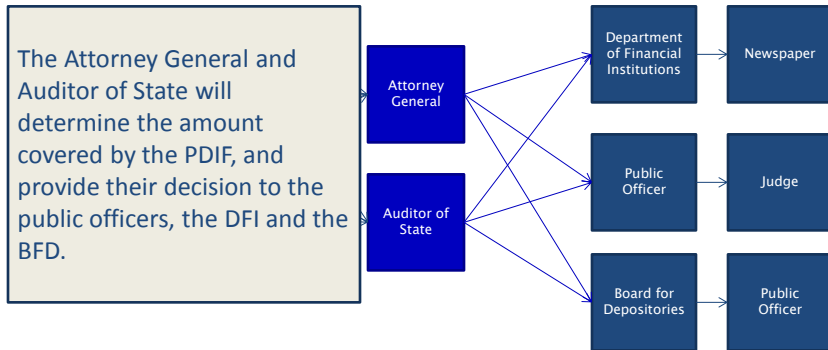
41

Recovery process for public funds in a closed depository



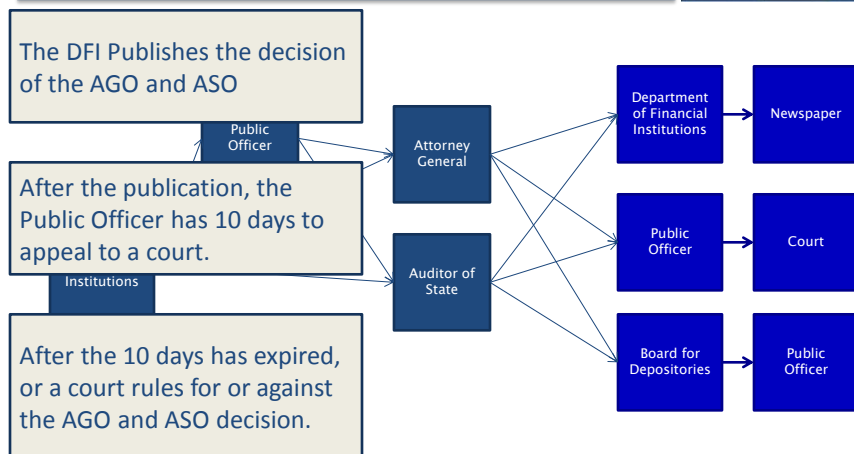
42

Recovery process for public funds in a closed depository



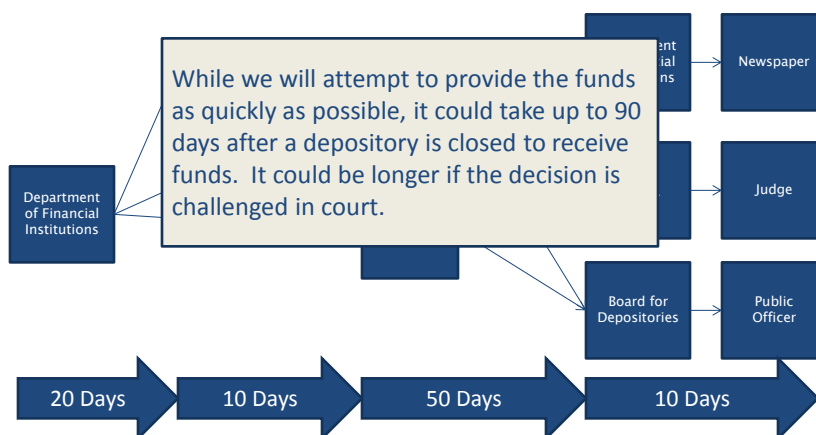
43

Recovery process for public funds in a closed depository



44

Recovery process for public funds in a closed depository



45

Questions / Comments



Pat Hastings, Executive Director
 Indiana Board for Depositories
 One North Capitol Ave., Suite 444
 Indianapolis, Indiana 46204
 317-232-5257
phastings@tos.in.gov
www.in.gov/tos/deposit/index.htm

46

Closing Remarks

Questions or Comments?

47